

Testimony of Bill Kluting Legislative Representative,
Western Council of Industrial Workers, Before the Senate Subcommittee on Trade,
Tourism and Economic Development Concerning the Impacts of
Canadian Softwood Lumber Imports
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My name is Bill Kluting and I live in Monmouth, OR. I am the Legislative Representative for the Western Council of Industrial Workers which is affiliated with the United Brotherhood of Carpenters. Our Council represents more than 10,000 workers in the lumber and wood products industry in Oregon, Washington, Montana, Idaho and Northern California.

I am, in fact, an example of a forest products worker who lost his job when my mill closed in 2000 due, in large measure, to Canadian lumber imports. When the Dallas, OR mill closed I had thirty-nine years in the plant as an electrician. After the closure I was selected to serve as a peer counselor to work with state retraining agencies and educational institutions to help these 190 workers obtain retraining, unemployment benefits and assist them in job search activities. I have continued working in this capacity for other dislocated worker groups for the last five years.

I know, first hand, the devastating impacts of plant closures and worker dislocations that have been caused by subsidized Canadian lumber imports --- even with countervailing and anti-dumping duties put in place by the U.S. Commerce Department and International Trade Commission.

I would first like to talk about the magnitude of the mill closure problem in the northwest sawmilling industry.

We examined mill closures over the five-year period from 2001 through 2005 because this period coincides with the time span that we've been without a bilateral trade agreement on softwood lumber. The Softwood Lumber Agreement expired March 31, 2001.

During this five-year period there's been fifty-two softwood sawmill closures in Oregon, Washington, Montana, Northern California and Idaho. These closures put 4,723 workers out of work.

A breakdown by state for this five-year period follows:

<u>State</u>	<u>Sawmill Closures</u>	<u>Workers Impacted</u>
Oregon	13	845
Washington	15	1,203
Montana	4	350
Northern California	15	1,775
Idaho	5	550

Source: Mill Closure Data, Paul Ehinger & Associates, Consultants to the Forest Products Industry,
Eugene, OR.

The reasons behind sawmill closures are never simple and straightforward. There are usually several causative factors that come into play when decisions are made to close a mill. These include the availability of log supply, the mills efficiency (technology), changing market demands and, of course, the pressures of subsidized Canadian imports which depresses lumber prices. We firmly believe, however, that Canadian lumber imports, which makes up just over one-third of the total U.S. lumber market, was a significant contributor to all of these fifty-two shutdowns.

However, in an effort to draw a closer cause and effect linkage between Canadian lumber imports and U.S. northwest sawmill closures, we surveyed data published by the Department of Labor, Employment & Training Administration, showing which mills qualified for NAFTA Trade Adjustment Act (TAA) training and job search assistance. This is a program set up exclusively for workers who are negatively impacted by trade policy's under NAFTA. In other words, it applies to trade situations involving Canada, Mexico and the U.S.

When an application is submitted for TAA benefits the Labor Department conducts an investigation to determine whether imports (or exports) were a significant factor contributing to the closure.

Under DOL criteria imports/exports do not have to be the sole factor causing the shutdown. Trade related issues must, however, be demonstrated in a concrete fashion and must represent a “significant factor” in the closure. The DOL process for “certifying” dislocated workers for TAA or NAFTA benefits is rigorous. Investigators interview actual customers of the subject plant to determine if customers have shifted purchases away from the plant under investigation and increased purchases of imported products. If this shift can be demonstrated the plant is certified as having been impacted by trade and, thus, eligible for TAA or NAFTA supplemental benefits.

There is good reason for dislocated worker groups to apply for TAA/NAFTA certification.

Adjustment and retraining assistance is greatly enhanced with a trade impact certification.

Unemployment benefits are extended for persons in training and the allowance for training goes from \$5,000 per person to \$12,000. For these reasons application for TAA/NAFTA certification is made for many plant closure situations, especially when they are represented by a union like ours.

Our survey of certified TAA petitions issued from 2001 through 2005, due to customers purchasing increased quantities of Canadian imported lumber, shows that forty-nine plants qualified for TAA benefits. This certainly demonstrates a strong cause and effect relationship between sawmill closures in the five northwest states and the import of subsidized Canadian lumber during the last five years.

Over ninety percent of sawmill closures qualified for NAFTA Trade Adjustment Act assistance because Canadian lumber imports were determined to be a significant factor in the closure.

And these figures actually understate the real impacts because TAA benefits only go to manufacturing plants. In the forest products industry loggers, truck drivers, maintenance workers, log scalers and others not considered “manufacturing” employees are not eligible for TAA. As a consequence, those workers wouldn’t be counted in this estimate of workers impacted by Canadian lumber imports. We estimate, conservatively, that the real impact is at least two times the 4,723 workers identified in the 52 plant closures.

In many rural, northwest towns the mill is the only source of employment. A laid-off mill worker often has to start all over again. The Council's research indicates that for the average laid off mill worker, it will take between ten and twelve years to regain their prior rate of pay. Pension and health care benefits at the new job are usually non-existent or simply inadequate.

To help illustrate the difficulties and the suffering that accompany these shutdowns I'll give you some statistics and experiences from my plant. These are typical and representative of what we see in every mill closure.

As I said, there were 190 workers dislocated when the Dallas, OR plant closed. The crew qualified for the extended training and unemployment benefits under TAA because Canadian imports contributed significantly to the closure.

As you would expect, the more skilled people in the maintenance department had little problem finding new jobs. All ten of our electricians, for example, found comparable work in their trade. They did not use any of the training/education benefits available under TAA.

Five members landed jobs as guards at the nearby state penitentiary at comparable wages and benefits. They were fortunate in that the prison system was hiring at the time.

Ten workers are now driving municipal buses in Salem, OR which is fourteen miles from their homes in Dallas. Here again, their wage and benefit package is comparable to what they were receiving at the mill before the shutdown.

We worked very hard to enroll people in job training classes. TAA supports two years of training.

It is extremely difficult to persuade former millworkers to take education classes because a large block of them lack the fundamental education background to do well in job training classes. A total of sixty took a variety of training and education courses. We actually consider this to be a high ratio of enrollment.

Three members took a computer/data base recording course and then went to work for the state government in office jobs.

Two took a machine shop/welding course and are currently employed in a local machine shop.

Two of the five workers who completed a diesel mechanic's course found jobs with local trucking firms.

Adding up these various success stories it turns out that thirty-two workers found new jobs that paid something close to the \$14.00 per hour average (higher for electricians) they were receiving when the mill closed. This represents just 17 percent of the total 190 workers who lost their jobs.

So what happened to the remaining 158 workers? I know of 50 who are now working at jobs paying \$9.00 per hour or less with no health care and no pension. They are doing jobs like custodial work, farm/nursery work and working in small grocery stores.

Eight workers went on Social Security disability after looking for work for two years. These people were between the ages of 56 and 62 and their bodies showed the wear and tear that comes with many years in the wood products industry.

These are very heavy costs borne by the real victims of mill closures----the workers and their families. Regretfully, the retraining assistance helps a few but it is not an adequate answer to unfair trade that causes such massive unemployment. There are inevitable gaps and flaws in the retraining programs that cause them to fail people in real need.

I would like to tell you about Ken Smith. He was 52 when the mill closed. Ken did an assessment of job opportunities and learned that several cities/counties needed qualified fire code inspectors for new and existing buildings. Ken was one and a half years into the two-year training program for fire code inspectors when he hurt his back. After his back healed he had to wait several months before the portion of training he missed was being offered again. As a consequence, his unemployment benefits were exhausted. He struggled financially and went into debt to complete the course. Tragically, state and local revenues were plummeting when Ken finally completed the course and became certified and, as a consequence, they were laying off fire code inspectors not hiring new ones. Ken, fortunately, was hired as a bus driver in Salem.

This helps to illustrate some of the severe problems inherent in retraining programs. The harsh reality is they don't help very many people.

Our union would recommend more integration between economic development departments and dislocated worker retraining programs to insure that the skill training matches emerging jobs and skill needs. In addition, these TAA programs need to be expanded and allowed more flexibility to meet the practical needs of workers.

In closing I would put forth a recommendation from our union.

We urge the Congress and the President to put their full weight behind an effort to negotiate a fair and lasting resolve to the US-Canadian softwood lumber wars. We would support a top level envoy being appointed by President Bush and Prime Minister Harper to negotiate an enduring softwood lumber agreement. These envoys should be given the power to negotiate a binding agreement and be given a date certain for completing it, perhaps September 2006. These special envoys would have the power to place limits on Canadian imports, especially when demand/prices in the U.S. are low. They should also be directed to phase in a market-based stumpage fee system in Canada so as to eliminate the Canadian subsidy over time. And, importantly, these high level envoys should be given wide discretion over the use and disbursal of the \$5 billion collected by U.S. Customs since 2002 for countervailing and anti-dumping duties imposed on Canadian lumber exporters.

Thank you for this opportunity to testify on an issue that is so very important to our members and to our northwest communities.